

Message Text

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C O N F I D E N T I A L BRUSSELS 08087

EXDIS

USEEC

FOR SECRETARY BLUMENTHAL, CHAIRMAN SCHULTZE, AND UNDER
SECRETARY COOPER

E.O. 11652: GDS
TAGS: ECON, EFIN, ECIN, EEC
SUBJECT: ORTOLI ON ECONOMIC AND FINANCIAL QUESTIONS

1. FRANCOIS ORTOLI, COMMISSION VICE PRESIDENT FOR ECONO-
MICS AND FINANCE, IS LOOKING FORWARD TO MEETING WITH YOU
IN WASHINGTON. AFTER OPENING BY TELLING ME THAT MEXICO
IMF MEETING WAS "IMPORTANT," IN 40 MINUTES ENSUING PRIVATE
CONVERSATION APRIL 25 HE MADE NO FURTHER MENTION OF IMF.
FOR HIM, THE CENTRAL PROBLEM IS BRINGING THE GERMANS TO
MOVE WITH OTHERS SO THAT UNEMPLOYED RESOURCES CAN BE PUT
BACK TO WORK. HE IS LOOKING FOR THE RIGHT MIX OF POLICY
MEASURES TO ACCOMPLISH THIS WITHOUT REGENERATING INFLA-
TIONARY PRESSURES. WHILE HE TALKED ALSO OF INTERNATIONAL
MONETARY ISSUES, HE PUT MUCH MORE EMPHASIS ON DOMESTIC
ECONOMIC POLICY COORDINATION AND THE RIGHT MIX OF DOMESTIC
FISCAL AND MONETARY POLICY.

2. ORTOLI TAKES CREDIT FOR HAVING HELPED DESIGN A COMMU-
NITY APPROACH, STARTING EVEN LAST YEAR, WHICH IS INTENDED
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TO CULMINATE AT THE EUROPEAN SUMMIT IN BREMEN IN EARLY
JULY WITH A PACKAGE OF NEW POLICY DECISIONS. AS HE DES-
CRIBED IT, THE KEY WAS TO STOP TALKING ABOUT LOCOMOTIVE
THEORIES AND GERMAN REFLATION AND, ON THE CONTRARY, TO
INVOLVE THE GERMANS IN A DETAILED EXAMINATION IN THE
COMMUNITY OF THE OVERALL SITUATION. HE EXPECTS THAT BY
THE MAY FINANCE MINISTERS MEETING A FAIRLY WIDELY AGREED

ANALYSIS AND CATALOGUE OF CONCEIVABLE NEW POLICIES WILL BE AVAILABLE. WHILE HE AND SOME OF THE MINISTERS HAVE IDEAS ABOUT WHAT SHOULD BE DONE, THE COMMISSION PAPER SPELLING OUT A PACKAGE OF DIFFERENTIATED REMEDIAL MEASURES WILL ONLY BE PUT FORWARD BETWEEN THE MAY AND JUNE FINANCE MINISTERS MEETING, AND THEN ADVANCED FOR DECISION AT BREMEN. ORTOLI RECOGNIZES THAT SIMILAR WORK IS GOING FORWARD IN THE OECD AND IN THE SCHULTZE PREPARATORY GROUP FOR THE BONN SUMMIT BUT, SOMEWHAT UNDERSTANDABLY, SINCE HE AND THE COMMISSION ARE MORE DEEPLY INVOLVED IN COMMUNITY PREPARATIONS, HE ATTACHES MORE IMPORTANCE TO THE COMMUNITY EFFORTS. HE TENDS TO THINK THE OECD MINISTERIAL MEETING WILL MAKE A "FORMAL" CONTRIBUTION, BUT THAT COMMISSION EXPLORATION OF SPECIFICS RELATING TO TAX CHANGES, BUDGETARY DEFICIT LEVELS, PUBLIC WORKS PROGRAMS, ETC., WILL BE EVEN MORE MEANINGFUL. INCIDENTALLY, HE TAKES PERSONAL CREDIT FOR THE SETTING AT COPENHAGEN OF THE 4.5 PERCENT GROWTH TARGET FOR MID-79, A TARGET AGAINST WHICH COMMISSION AND COMMUNITY EFFORTS IN THE SENIOR ECONOMIC POLICY GROUP AND ELSEWHERE ARE STILL DIRECTED DESPITE CONTINUED GERMAN RELUCTANCE TO TAKE THE TARGET SERIOUSLY.

3. CONCERNING INTERNATIONAL MONETARY MATTERS, ORTOLI WELCOMES SCHMIDT'S INITIATIVE AT COPENHAGEN BUT DOUBTS THAT THE OVERALL SITUATION IS RIPE FOR MAJOR BREAKTHROUGHS.
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HE STRUCK ME AS A LITTLE AMBIGUOUS ABOUT THIS AND A BIT PEEVED ABOUT IT AS WELL, PERHAPS BECAUSE JENKINS, SCHMIDT, AND GISCARD RATHER THAN ORTOLI ARE GETTING PRESS CREDIT FOR HAVING BROUGHT EUROPEAN MONETARY ISSUES BACK ON STAGE. HE PROTESTED TOO MUCH, I THOUGHT, THAT WHAT WAS IMPORTANT WAS RESULTS NOT CREDIT FOR IDEAS, WHILE AT THE SAME TIME REMINDING ME THAT HIS PAPER FOR COPENHAGEN HAD BRIEFLY CALLED ATTENTION TO THE IMPORTANCE OF INTRA-COMMUNITY MONETARY RELATIONS AND TO THE DOLLAR PROBLEM. HE ALSO TOLD ME THAT HE HAD CIRCULATED A NUMBER OF SPECIFIC IDEAS TO THE CENTRAL BANK PRESIDENTS PRIOR TO COPENHAGEN, AND ASSERTED THAT IN THE END WHATEVER WAS DONE WOULD PROVE TO BE VARIANTS ON PAST COMMISSION THINKING. IN REPLY TO MY QUESTION AS TO WHY HE THOUGHT SCHMIDT HAD TAKEN THE INITIATIVE, HE SAID HE COULD THINK OF THREE POSSIBLE REASONS: FIRST, TO GET POLITICAL ATTENTION; WHILE THERE WAS SOME OF THIS, HE DID NOT THINK IT WAS AN ADEQUATE EXPLANATION. SECOND, TO DIVERT THE DISCUSSION OF REAL ECONOMIC PROBLEMS INTO THE MORE NEBULOUS MONETARY AREA. HE PERSONALLY REJECTED THIS THEORY. THIRD, BECAUSE SCHMIDT IS GENUINELY CONCERNED ABOUT THE DOLLAR AND MONETARY STABILITY. THIS HE THOUGHT WAS BY FAR THE MOST LIKELY

EXPLANATION. HE ADDED THAT, WHILE THE GERMANS HAD TALKED A LOT ABOUT U.S. MALIGN NEGLECT OF THE DOLLAR, THEY HAD IN FACT BEEN EXPOSED TO CHARGES THAT THERE EXISTED A DOUBLE POLICY OF MALIGN NEGLECT SINCE THEY, THE GERMANS, WERE NOT ACTING CONSTRUCTIVELY EITHER.

4. FINALLY, ORTOLI SAID ALL THE RIGHT THINGS ABOUT THE IMPORTANCE OF KEEPING IN CLOSE CONTACT ON THESE INTER-RELATED ISSUES AS THE VARIOUS SCENARIOS, BE THEY COMMUNITY OR OECD, ARE DEVELOPED LEADING UP TO THE BREMEN AND BONN ECONOMIC SUMMITS. HINTON

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